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PETROLEUM AND NATURAL GAS

IN

PROVINCE OF ALBERTA

September 7, 1965

DEPARTMENT OF MINES AND MINERALS

CA2 ALM
1965P25

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PETROLEUM AND NATURAL GAS

IN

PROVINCE OF ALBERTA

The minerals in 81% of the area of Alberta are owned by the Province and administered by the Department of Mines and Minerals. Approximately 10% are freehold and the balance in National Parks and Indian Reserves is held by the Federal Government.

Back in the year 1887 it was decided by the Federal Government, some 18 years before our Province was formed, to reserve in the name of the Crown for the benefit of all of the people, the minerals in homesteads and other land sales. The practice of selling minerals continued on a small scale until 1910 but following that year a leasehold policy has prevailed.

Several years prior to the discovery of the Leduc oil field in 1947, the Government adopted a policy favourable for exploration and development by private enterprise. Investment is encouraged with a minimum of Government interference. Those regulations which we do have are designed to prevent waste and monopolistic control while encouraging orderly exploration and development of our oil and gas resources.

ALBERTA DEPARTMENT OF ENERGY
AUG - 7 1996
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The main points in the policy relating to petroleum and natural gas are

1. to maintain prospecting and leasing regulations designed to effectively prevent monopoly and encourage individual enterprise. Only by the existence of wholesome rivalry where free and competitive enterprise is carried on, can we expect to get the most active exploration and development, and
2. to obtain for the people of the Province as a whole, a fair share of the returns resulting from oil and gas.

Orginally all petroleum and natural gas rights owned by the Province were available to the first applicant for a lease or reservation but as leases and reservations terminate the rights do not again become available until they are posted for a specified hour and day to be granted to the applicant offering the highest cash bonus.

As an example, Sketch No. 1 shows a reservation acquired in 1949 without any bonus payment and it indicates the leases selected in 1951 at the conclusion of the reservation. The remainder of the lands became Crown Reserves being one-half of the lands in each township. Two years

later the leases were surrendered and the Crown Reserves then terminated.

The petroleum and natural gas rights in the area were posted for 10:00 a.m. on February 24, 1953, and the successful tenderer paid a bonus of $55,996.80. Sketch No. 2 of this reservation also shows the leases selected in 1956. These leases continue today at an annual rental of $1.00 an acre.

Also shown on Sketch No. 2 are Crown Reserves that have been sold to applicants offering the highest bonuses for petroleum and natural gas leases. These leases are subject to the same rentals and royalties as apply to leases acquired at the termination of the reservation.

Whenever a significant oil discovery is made, Crown Reserves established at the termination of the reservation encourage the payment of larger bonuses. A good example of this is shown in Sketch No. 3 where some 19 millions of dollars have been paid to the Province in bonuses for Crown Reserve leases.

Another source of revenue is from the sale of Crown Reserve Drilling Reservations. Sketch No. 4 shows one of these reservations sold on August 24, 1965, for $116,467.00. The purchaser of this reservation has one year to commence the drilling of a well and if he drills the well to the depth

later the leases were surrendered and the Crown Reserves also terminated.

The petroleum and natural gas rights in the area were posted for 10:00 a.m. on January 29, 1973, and the successful tenderer paid a bonus of $23,000.00. Section 30, 2 of this reservation also across the leases cancelled in 1973. These leases continue today at an annual rental of $10.00 per acre.

Also shown on Sketch No. 2 are Crown Reserve areas, have been held to establish offering with respect bonuses for petroleum and natural gas leases. These areas are without the same rights and regulations as apply to leases established as the consideration of the conservation.

Whenever a significant oil discovery is made, Crown Reserves established at the termination of the conservation encourage the payment of larger bonuses. A good example of this is shown in Sketch No. 3 where over 13 million of dollars have been paid to the province in bonuses for crown Reserve leases.

Another source of revenue is from the sale of Crown Reserve Drilling Reservations. Sketch No. 4 shows one of these reservations sold on August 24, 1973, for $312,467.00. The purchaser of this reservation has one year to commence the drilling of a well and if he drills the well to the depth

specified in the notice of sale, he will be entitled to lease four sections. In the same way the leases of these four sections will be subject to the normal rentals and royalties.

In addition to the above categories of Crown Reserve sales smaller amounts are realized when offering special reservations, natural gas licences and natural gas leases.

All leases require the payment of an annual rental. On a petroleum and natural gas lease the rental is $1.00 an acre. The rental on a natural gas lease is one-third of a dollar an acre but during any period while a market for gas is not available the rentals may be reduced to 10 cents an acre.

There is also a royalty payable to the Province on oil and gas produced from Crown minerals. With respect to crude oil, the royalty is 8% for a well producing 750 barrels in a month, increasing to 16 2/3% where the well produces in excess of 2,700 barrels in the month. The royalty on marketable natural gas is 16 2/3% of the value at the well and the royalty on products recovered in processing natural gas is also 16 2/3%.

September 7, 1965

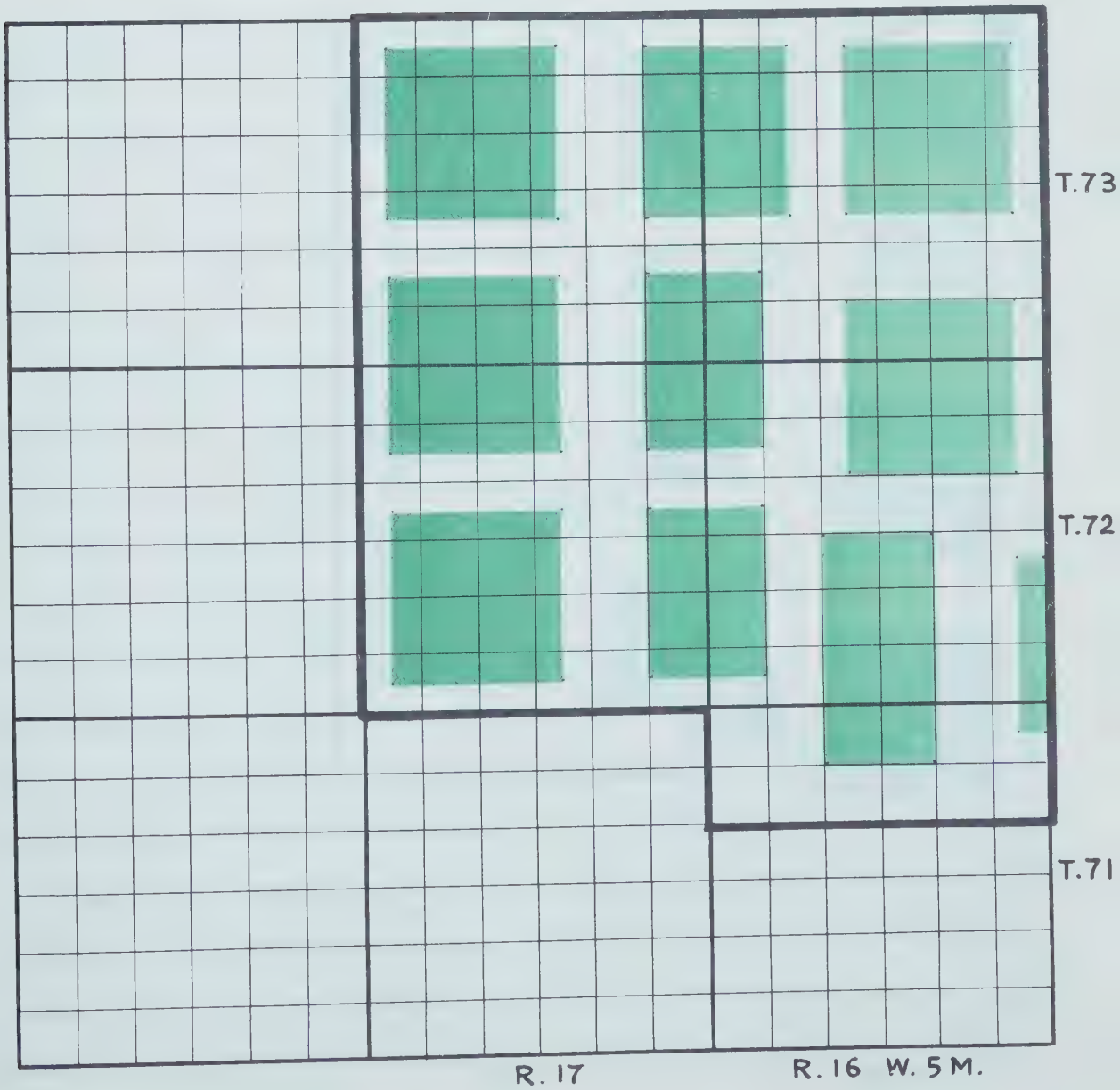
SKETCH No. 1

RESERVATION No. 883

BONUS – NONE
GRANTED ON JULY 28, 1949

LEASES SELECTED JAN. 26, 1951

REMAINDER OF LANDS ARE CROWN RESERVES



SKETCH No. 2

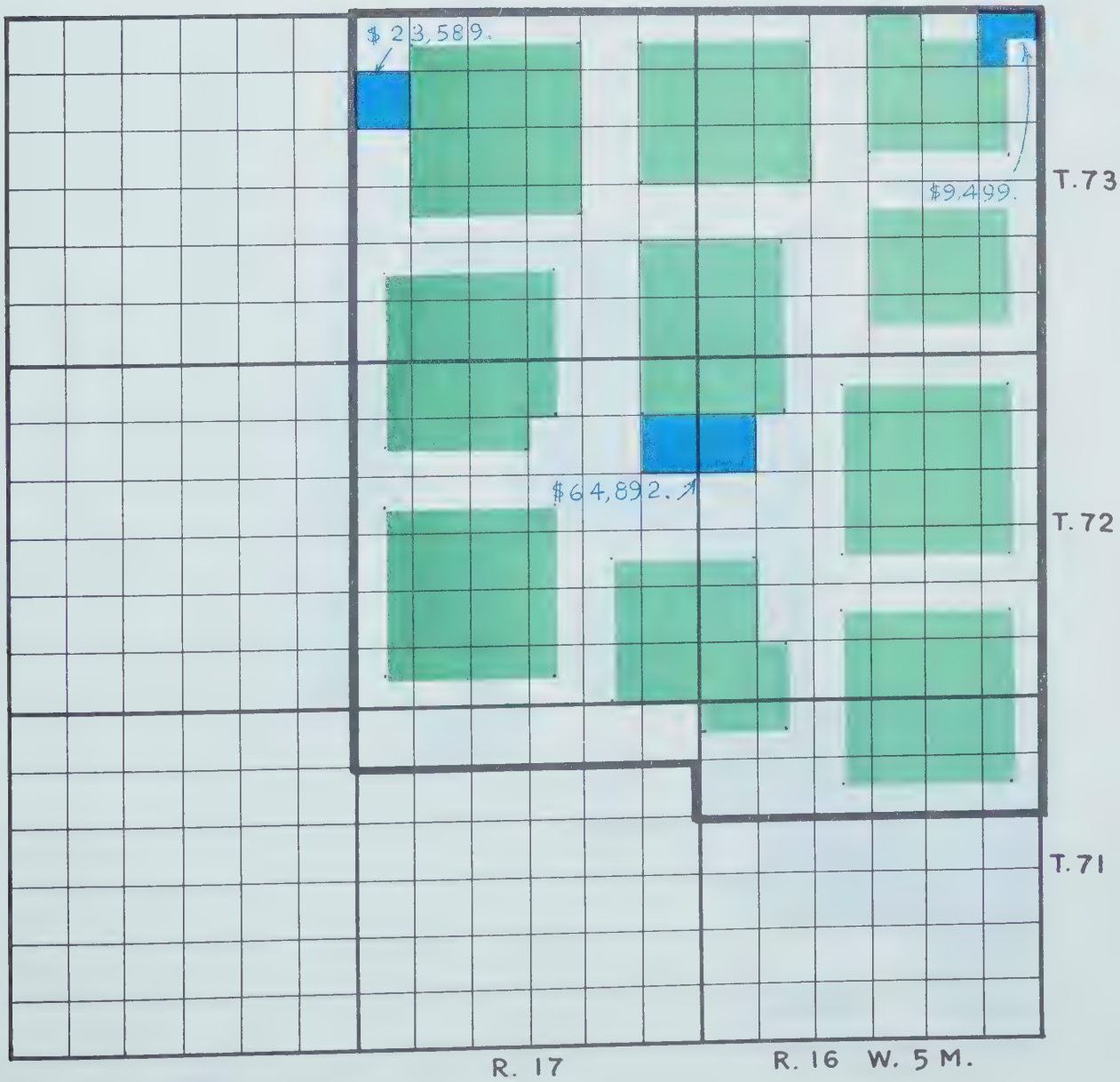
RESERVATION No. 1931

BONUS — $55,996.80
GRANTED ON FEB. 25, 1953

LEASES SELECTED FEB. 24, 1956

REMAINDER OF LANDS ARE CROWN RESERVES

LEASES SOLD OF CROWN RESERVES



SKETCH No. 3

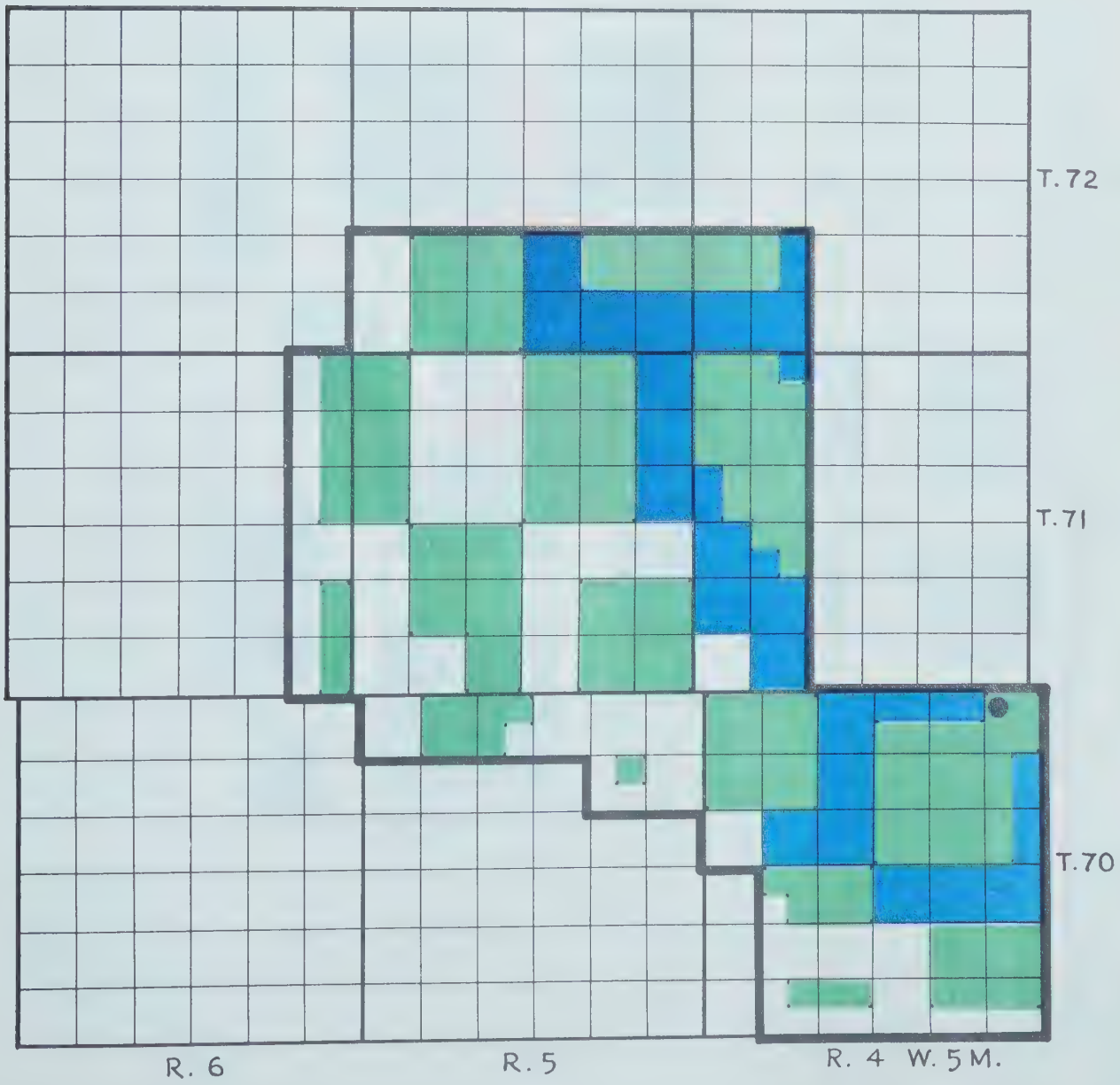
RESERVATION No. 3909

BONUS — $ 20,444.44
GRANTED ON AUG. 4, 1960

LEASES SELECTED

OIL DISCOVERY

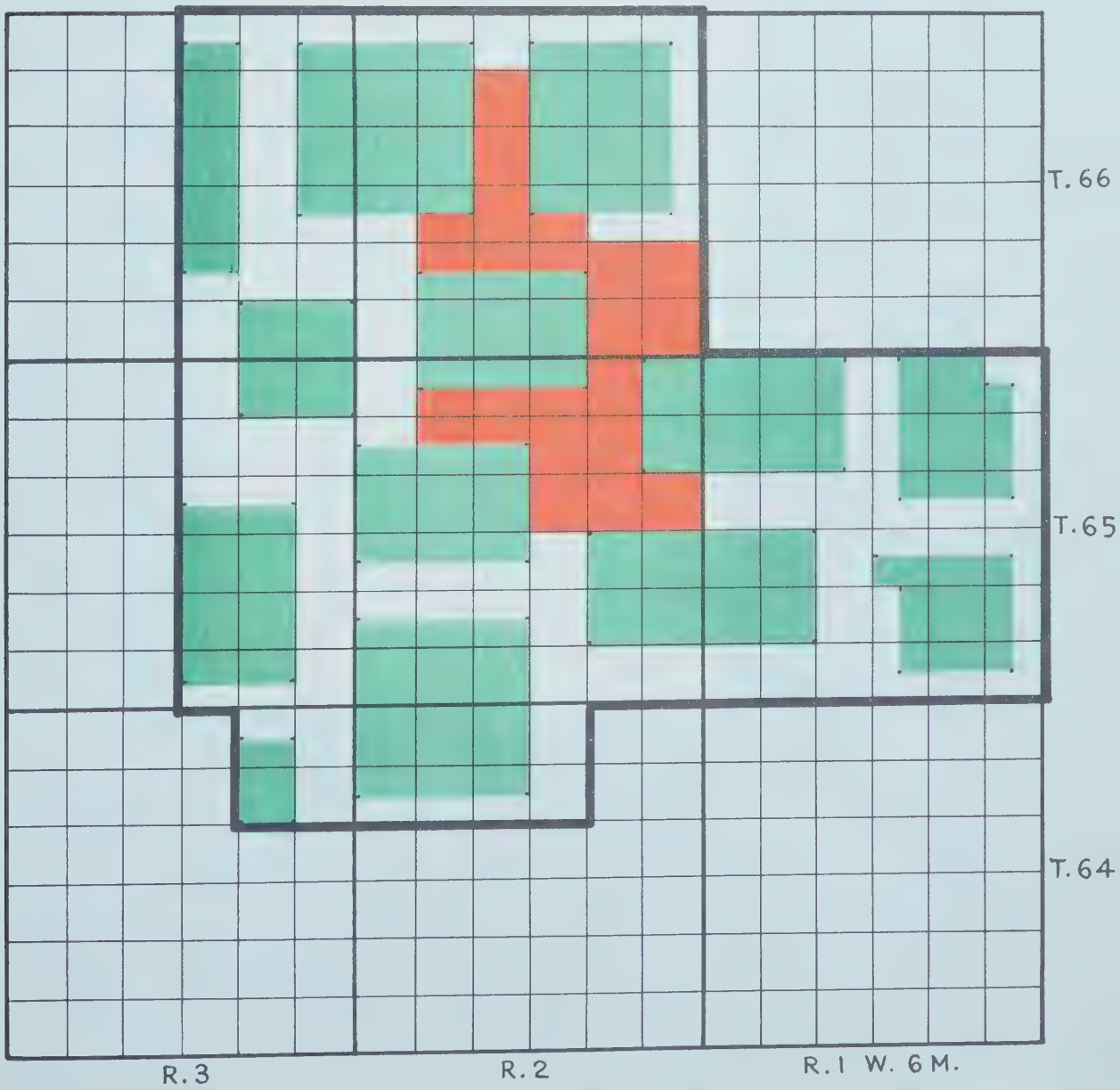
LEASES SOLD OF CROWN RESERVES
FOR $19,332,436.



SKETCH No. 4

CROWN RESERVE DRILLING RESERVATION No. 1478 SHOWN IN RED

SOLD ON AUG. 24, 1965
PURCHASE PRICE $116,467.



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